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SIPDIS

DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT  
EUR/CARC, SCA (GALLAGHER, SUMAR)  
DOE FOR FREDRIKSEN, HEGBORG, EKIMOFF

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SUBJECT: PUTIN GETS VERBAL AGREEMENT ON UZBEK GAS, PIPELINE

Classified By: Econ MC Eric Schultz for Reasons 1.4 (b/d)

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"NO SIGNED AGREEMENT"  
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¶1. (C) Uzbek Embassy Pol Counselor Kaib Bergenov told us September 3rd that the widely reported gas pipeline and price agreement emerging from PM Putin's September 2nd trip to Tashkent was "just verbal" at this point but that technical specialists would now begin working on a formal document. He said many details had yet to be worked out, but an agreement had been reached in principle to move forward on a new 30 billion cubic meter gas pipeline, parallel to the current one from Turkmenistan, through Uzbekistan and Kazakhstan, to Russia. He also confirmed that an agreement in principle had been reached for Russia to pay Uzbekistan "European" prices for its gas (minus transportation and duties).

¶2. (C) Gazprom's September 2nd announcement also noted agreement on pricing formulas and "construction of new gas transportation capacities" along the Central Asian corridor to Russia. Gazprom Director of International Affairs Ivan Zolotov told us September 3rd that he had no details to share on the trip, but that Gazprom CEO Aleksey Miller was "satisfied with the results."

¶3. (C) Pundits have accurately portrayed the visit as part of Russia's active and urgent post-conflict diplomatic push throughout the region to remind neighbors of their ties to Russia and to strengthen those ties. Doug Busvine (protect), a Russia analyst with Medley Global Advisors, told us September 3rd that the pipeline and gas price deal serves Russia's interests in "locking up Central Asian gas exports by paying more than the Chinese, and also to stymieing Nabucco," while helping Russia cover its export commitments despite projected domestic gas production shortfalls.

¶4. (U) Press reports quote Uzbek president Karimov as supporting the new pipeline on "commercial terms" and because of Uzbekistan's "responsibilities as Russia's ally." They also report that Putin was unhappy with the degree of support from Karimov on South Ossetian and Abkhazian independence, which was apparently confined to "anti-Georgian toasts."

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COMMENT  
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¶5. (C) The deal with Uzbekistan is part of a larger effort on Russia's part to build support for its actions in the South Caucasus. However, it is also part of a long-term plan by

Russia that has been in the works for some time to secure control of Central Asian gas. With a state-backed champion in Gazprom, Russia can make quick verbal deals with the confidence that it can (more or less) fulfill its end, including the quick construction of any needed transport infrastructure regardless of commercial concerns. Paying "market" prices in Central Asia while applying old-fashioned political pressure and appealing to cultural and historic ties may be difficult to counter in the immediate future by any country other than China. End Comment.  
BEYRLE